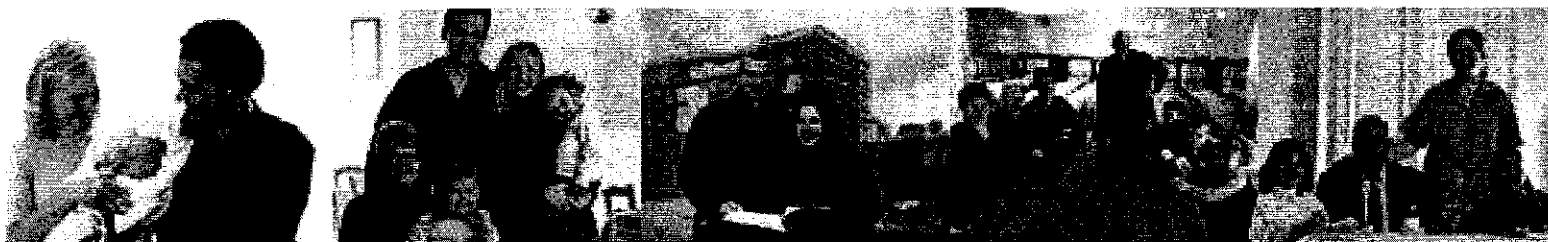


EXHIBIT

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ERSTE BANK

The Bank for Central and Eastern Europe



Annual Report 2005

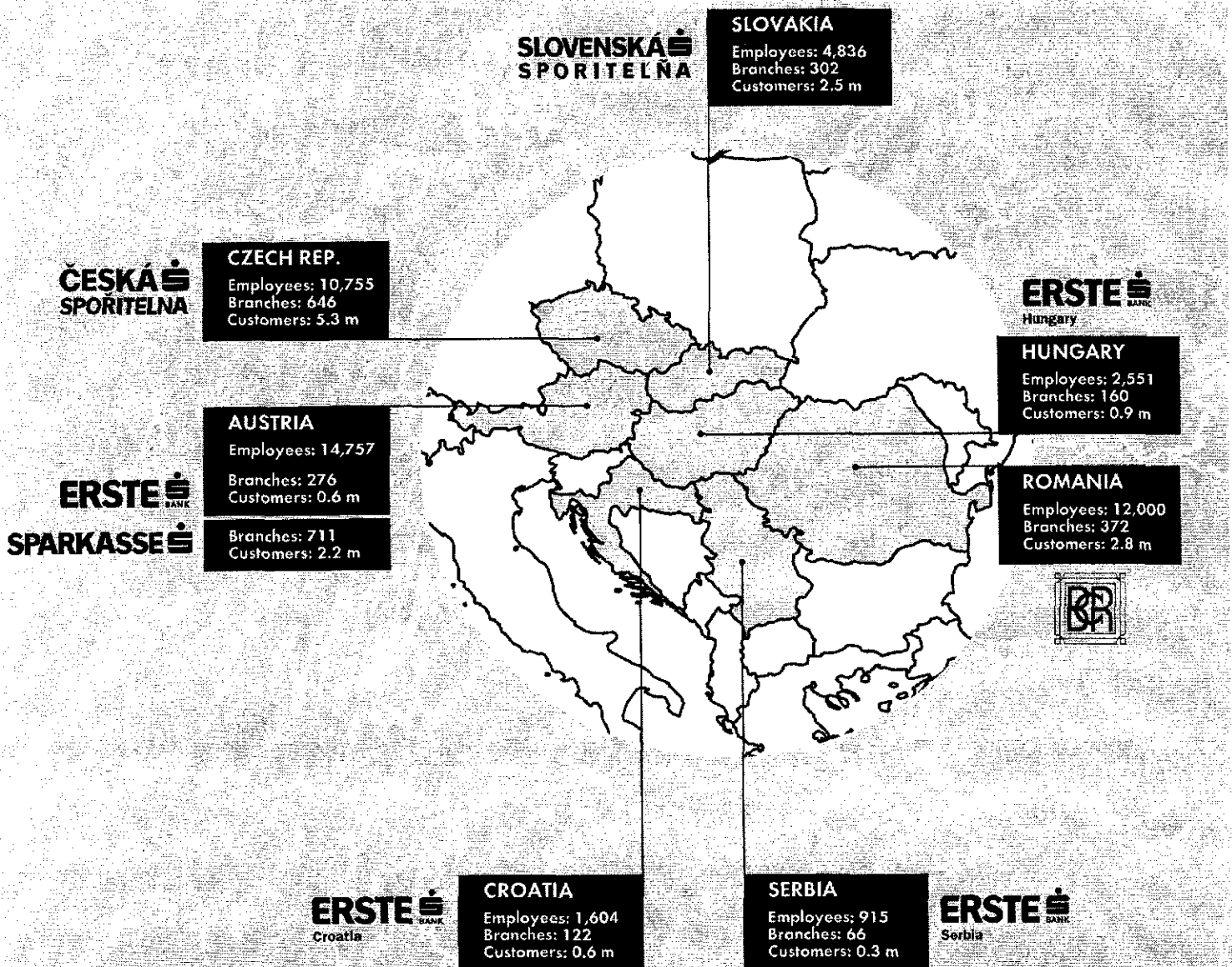
Net profit contribution by region (in %)



Risk-weighted assets by region (in %)



ERSTE BANK in Central and Eastern Europe



Key financial and operating data

EUR million (unless otherwise stated)	2001	2002 ¹⁾	2003	2004 ²⁾	2005
BALANCE SHEET					
Total assets	86,033	121,222	128,575	139,812	152,660
Loans and advances to credit institutions	18,913	15,492	13,140	15,684	16,858
Loans and advances to customers	39,210	64,435	67,766	72,843	80,419
Risk provisions for loans and advances	-1,875	-2,983	-2,772	-2,804	-2,817
Securities and other financial investments	21,093	32,795	39,093	42,521	47,681
Other assets	8,692	11,483	11,348	11,568	10,519
Total liabilities and shareholders' equity	86,033	121,222	128,575	139,812	152,660
Amounts owed to credit institutions	28,642	26,425	25,704	28,551	33,911
Amounts owed to customers	37,175	61,308	64,839	68,213	72,793
Debts evidenced by certificates, including subordinated capital	12,707	17,577	20,482	23,416	25,581
Other liabilities, provisions	4,346	10,708	11,880	13,679	13,914
Shareholder's equity	1,904	2,481	2,791	3,424	4,129
Minority interests	1,259	2,723	2,879	2,529	2,332
Changes in total qualifying capital					
Risk-weighted assets pursuant to Sec. 22 Banking Act	37,803	60,257	62,188	65,384	75,078
Qualifying consolidated capital pursuant to Sec. 23 & 34 Banking Act	4,308	6,983	7,009	7,286	8,611
of which core capital (Tier 1)	2,337	3,800	3,912	4,377	5,112
of which hybrid Tier 1 capital	455	469	605	711	900
Solvency ratio pursuant to Sec. 22 Banking Act	10.7%	11.0%	10.7%	10.7%	11.0%
of which core capital ratio	6.2%	6.3%	6.3%	6.7%	6.8%
Income statement					
Net interest income	1,438.9	2,463.0	2,586.8	2,660.3	2,794.2
Risk provisions for loans and advances	-203.6	-406.4	-406.4	-406.2	-421.6
Net commission income	574.6	944.3	996.6	1,135.4	1,256.8
Net trading result	152.6	167.4	214.6	216.5	241.7
General administrative expenses	-1,454.3	-2,432.0	-2,460.8	-2,594.9	-2,676.9
Operating result	711.7	1,151.2	1,370.1	1,454.1	1,652.5
Pre-tax profit	405.7	664.6	761.6	996.6	1,214.8
Net profit after minority interests	223.3	255.2	353.3	520.8	711.7
Operating data					
Number of employees	28,222	36,923	37,830	35,862	36,150
Number of branches ³⁾	1,540	2,285	2,370	2,242	2,283
Number of customers (million)	9.1	10.6	11.9	11.9	12.4
Share price and key ratios⁴⁾⁸⁾					
High (EUR)	15.50	21.46	24.55	39.80	47.50
Low (EUR)	11.75	13.25	14.61	24.78	36.36
Closing price (EUR)	14.93	16.04	24.49	39.30	47.05
Price/earnings ratio	13.4	13.6	16.5	18.0	15.9
Dividend per share ⁵⁾ (EUR)	0.31	0.31	0.38	0.50	0.55
Payout ratio	27.7 %	29.1 %	25.4 %	23.2 %	18.8 %
Dividend yield	2.1 %	1.9 %	1.5 %	1.3 %	1.2 %
Book value per share (EUR)	9.5	10.4	11.6	14.3	17.1
Price/book ratio	1.6	1.5	2.1	2.7	2.7
Total shareholder return (TSR)	27.0%	9.5%	54.6%	62.0%	21.0%
Average TSR (since 1997 IPO)	9.2%	9.2%	15.7%	21.5%	21.4%
Number of shares					
Number of shares outstanding ⁶⁾	201,451,820	239,300,456	239,775,232	241,442,892	243,183,600
Average number of shares outstanding ⁷⁾	199,863,776	215,769,476	237,845,836	238,576,585	240,145,648
Market capitalisation (EUR billion)	3.0	3.8	5.9	9.5	11.4
Trading volume (EUR billion) ⁸⁾	1.3	2.9	2.0	6.9	8.9

1) First-time consolidation of the members of the Haftungsverbund.

2) The revised IASB standards, IAS 32 (Financial Instruments: Disclosure and Presentation) and IAS 39 (Financial Instruments: Recognition and Measurement), became compulsory as of 1 January 2005.

Under the transitional provisions, prior-year figures must be restated. The rates of change indicated are based on the restated prior-year figures. The details of these changes were outlined in press releases published on 3 May 2005 and 6 December 2005, which can be found on the Erste Bank home page at (www.erstebank.com).

3) As of 2004 source for Austria: Austrian National Bank, prior to that: Savings Banks Association.

4) Values adjusted for 4:1 stock split of 8 July 2004.

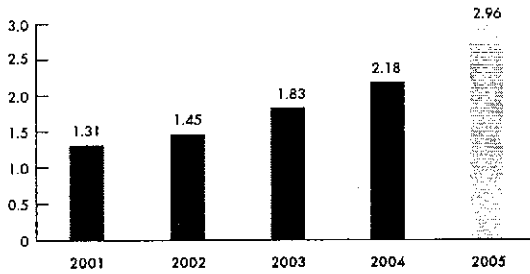
5) Proposal to Annual General Meeting.

6) Erste Bank shares held by savings banks that are members of the Haftungsverbund were not deducted from shares outstanding.

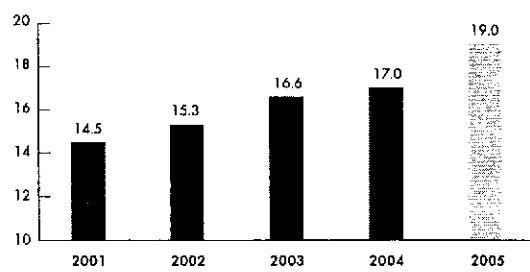
7) Including those shares representing minority interests.

8) Source: Vienna Stock Exchange, based on single counting.

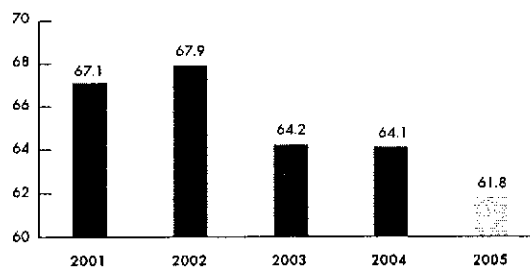
Earnings per share¹⁾ in EUR



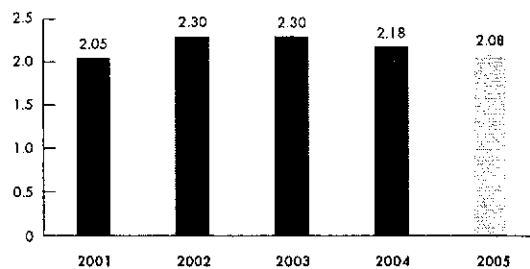
Return on equity¹⁾ in %



Cost/income ratio in %



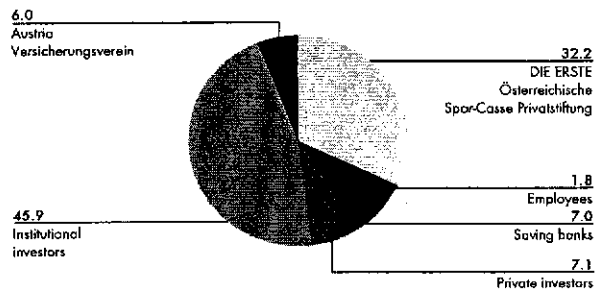
Net interest margin²⁾ in %



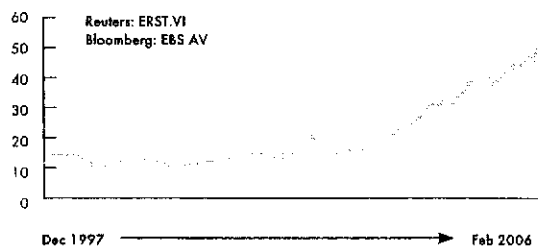
1) Until 2003 adjusted for straight-line goodwill amortisation.

2) Based on average interest-bearing assets.

Shareholder structure at 31 December 2005 in %



ERSTE BANK share price development in EUR



INVESTOR RELATIONS

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Email: thomas.sommerauer@erstebank.at

Josef Kerekes

Phone: +43 (0) 50100-16878

Email: josef.kerekes@erstebank.at

Ratings

Fitch

Long-term

Short-term

Individual

A

F1

B/C

Moody's Investors Service

Long-term

Short-term

Bank Financial Strength Rating

A1

P-1

B+

Standard & Poor's

Short-term

A-2

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Highlights 2005

Record profit

- _8th consecutive record earnings
- _New, ambitious growth targets

Central Europe

- _Strong loan growth across the board
- _Market share gains, particularly in retail

Retail Austria

- _Challenging targets outperformed
- _Return on equity surpasses 10%

New Group Architecture

- _Tangible savings in procurement
- _Structured investment products launched in all markets

Acquisition in Romania

- _Purchase of 62%-stake in Banca Comerciala Romana
- _Instant market leadership in Romania

Acquisition in Serbia

- _Transformation programme in full swing
- _Network and market share expansion started

Letter from the CEO

Dear shareholders,

2005 was an exceptional year for Erste Bank. We have delivered record earnings for the eighth consecutive year since 1997, growing net profit by nearly 40% to EUR 712 million; we have strategically extended our footprint into two new emerging growth markets – Romania and Serbia; we have maintained or expanded market shares in our existing central European markets; our Austrian retail operations have met their highly ambitious targets; and, on group level, we have pressed on with our pursuit of operational excellence through our New Group Architecture initiative.

Moving to the next level in Central and Eastern Europe

Our key achievement in 2005 was the reinforcement of our unique market position in Central and Eastern Europe: by adding Romania and Serbia to our business portfolio we have almost doubled our potential market to nearly 70 million people; we increased our client base by about 3 million to 15.2 million and we now maintain a network of some 2,700 branches. No other bank can offer its clients the same depth of coverage in a coherent region of fast growing countries, as we do.

This exciting development was facilitated by strong privatisation activity in Central and Eastern Europe. Encouraged by strong economies, rising asset prices and renewed interest in the region, the governments of Romania and Serbia, as well as private sellers in the Ukraine proceeded with asset sales. While we selectively evaluated acquisition opportunities in all of these target markets, Banca Comerciala Romana (BCR) was an ideal match in terms of fitting our existing network and its long term growth prospects.

Consequently, we signed a share purchase agreement to acquire a 62% majority stake in BCR for a cash consideration of EUR 3.75 billion in December 2005. BCR is the market leader in Romania, a country set to join the European Union by 2008 and, behind Poland, the most populous country in Central and Eastern Europe. BCR is already in good shape: it serves some 2.8 million corporate and retail customers and owns roughly a quarter of the market.



Andreas Treichl, Chief Executive Officer

In Serbia we acquired 96% of Vojvodina-based savings bank Novosadska banka for EUR 84 million in cash. The bank, which was subsequently rebranded into Erste Bank Serbia, is a small regional retail bank with an asset market share of about 2% and a strategic location in Serbia's northern most province – bordering Hungary, Croatia and Romania. Going forward, we will use Erste Bank Serbia as a bridge head for further careful expansion steps into the Serbian market.

Credit expansion drives growth

In our existing markets there was one dominant economic theme, which fuelled strong business growth in 2005: healthy GDP growth combined with record low interest rates led to buoyant private sector credit demand. While at the start of the year the jury was out on whether our deposit rich central European operations in the Czech Republic and Slovakia could cope with such an environment, the verdict became clear at the end of the year: on balance the positive effect of increased private sector credit demand, particularly in the retail segment, outweighed lower interest rates.

Hence, we are particularly delighted with the performance of Česká spořitelna. Our Czech operation yet again delivered double digit top line and bottom line growth. This achievement is all the more remarkable as they had to combat such additional adverse factors as a historically unfavourable – albeit strongly improving – loan/deposit ratio, an antitrust investigation related to banking fees, and a 2004 result that was aided by substantial one-off gains. The signs for 2006 are also promising: interest rates seem to have seen their trough and demand for retail credit products, in which we are market leaders in the Czech Republic, remains strong.

Slovenská sporiteľňa also delivered solid bottom line growth and enjoyed the strongest retail loan growth within the group. Further progress was held back by the gradual expiry of Slovenská sporiteľňa's high-yield bond portfolio and the lowest, but also fastest growing loan/deposit ratio within our group. While these factors will continue to play a role in 2006, we foresee a bright future thereafter, stimulated by a vibrant Slovak economy.

Erste Bank Hungary was the top performer within the group, strongly outperforming its business plan targets formulated at the time of acquisition of Postabank two years ago. Net income more than doubled, overall business remained brisk and the fall in interest rates was more than compensated by loan growth and an exploding fund management market. For 2006 we expect another solid performance.

At Erste Bank Croatia the story line was similar to the one at our other central European operations: loan growth was the defining element in the growth mix. In addition, Erste Bank Croatia won a major government fund management mandate; as a result our Croatian fund management market share rocketed to 25%.

Progress at our Austrian operations also continued apace in 2005. The Retail and Mortgage segment surpassed its 10% return on equity target, helped along by strong commission

income growth, which in turn was fuelled by a strong domestic stock market and the continued trend towards private old age provision. Furthermore, we implemented a new pay scheme that offers an improved link to performance and will yield long term benefits. The cooperation with the savings banks, though not having a substantial bottom line impact, was also successfully continued for the benefit of our Austrian customers.

The New Group Architecture (NGA) remained very much at the core of our efforts to more efficiently exploit synergies across the group. It is primarily designed to streamline back office functions, while allowing local banks to focus on their core competencies of developing and selling products. An equally important outcome of the NGA is that our local banks maintain their distinctive local character and the competitive advantage that comes with it.

We look forward with great confidence

We have never been in better shape when entering a new year than at the start of 2006: our market capitalisation has for the first time touched EUR 15 billion; we successfully carried out the largest secondary offering in Austrian capital markets history with a volume of nearly EUR 3 billion; and, we are in the process of executing the largest cross border transaction in Austrian corporate history.

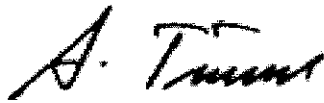
Most importantly, we have raised our profit targets to reflect our new growth profile: we now expect to grow net income by more than 20% on average per annum for the period of 2005 to 2009; we aim to push our cost/income ratio down to below 55% by 2009 and we plan to reach a return on equity of at least 18% – 20% by 2009.

Our assessment of the business environment in our home market remains positive: we believe that interest rates have bottomed out during 2005 and will only rise gradually over the course of 2006, thereby not hitting loan demand. GDP growth is set for another strong performance. Credit quality was not an issue in 2005 and we expect a similarly benign scenario for 2006.

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Our bank is on a more balanced, longer term growth track than ever before. We feel that we have struck the ideal balance between risk and growth. This achievement would not have been possible without our dedicated employees, the continued support from our shareholders and the trust of our clients.

I would therefore like to thank all our employees for their commitment and entrepreneurial spirit, our investors for their unwavering support and our clients for using our services in ever growing numbers. I would also like to extend our warmest welcome to our new Romanian and Serbian colleagues, who I am certain will swiftly follow in the footsteps of their central European peers and quickly become an integral part of our group.

A handwritten signature in black ink, appearing to read 'A. Treichl', with a stylized, cursive script.

Andreas Treichl

Management Board



ANDREAS TREICHL

Chairman of the Management Board since July 1997

Group Communication, Group Human Resources, Corporate Strategic Development, Company Secretary, Internal Audit, Legal Services, Group Marketing, Investor Relations, Česká spořitelna

ELISABETH BLEYLEBEN-KOREN

Deputy Chairwoman of the Management Board since May 1999

Savings banks, Private Banking & Asset Management, Product Management, Retail Customers Austria, SME Customers, Corporate Customers, Multi-Channel Management



REINHARD ORTNER

Member of the Management Board since July 1984

Group Accounting, Planning & Controlling, International Business, Management of Subsidiaries & Investments, Slovenská sporiteľňa, Erste Bank Hungary, Erste Bank Croatia, Erste Bank Serbia, Erste Bank Malta

CHRISTIAN CORETH

Member of the Management Board since July 2004

Group Risk Management



FRANZ HOCHSTRASSER

Member of the Management Board since January 1999

Group Large Corporates, Group Treasury, Research

ERWIN ERASIM

Member of the Management Board since January 2001

Payments & Settlement, Group Information Technology, Securities & Treasury Operations, Group Procurement

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Supervisory Board Report

Dear shareholders,

In the year under review, we discharged our duties under the law and Erste Bank's Articles of Association. We advised the Management Board regularly on the governance of Erste Bank and monitored its management. The Management Board provided us with regular, timely and comprehensive oral and written reports. At Supervisory Board meetings, Management Board members reported on the trends in their respective business divisions. For specific topics covered on the agenda, experts were invited to provide detailed information. Furthermore current topics and decisions were raised in discussions between the Chairman of the Management Board and the Supervisory Board. In addition, we were continuously informed on the status of acquisition efforts in Serbia and Romania.

Supervisory Board meetings

The Supervisory Board met nine times during the financial year. No member attended fewer than half of the meetings.

The following major issues were discussed:

At the first meeting of the year on 31 March 2005, we approved the audit reports, the 2004 Company Management Report, the 2004 Consolidated Financial Statements and the 2004 Group Management Report and upon the recommendation of the Accounting Committee approved the 2004 Financial Statements. We also approved the proposed dividend for 2004 and discussed the future dividend policy.

The Supervisory Board also discussed the Corporate Governance Report and approved the agenda for the 2005 Annual General Meeting.

At several meetings beginning with the extraordinary Supervisory Board meeting of 25 July 2005, we were presented with comprehensive analyses of the economic situation and of the developments and potential of the Romanian Banca Comerciala Romana (BCR) in its political and economic environment. The impact of a potential acquisition on Erste Bank Group was discussed, in particular with regard to capital adequacy and balance sheet ratios. After extensive consultations, we ap-



Heinz Kessler, President of the Supervisory Board

proved the participation in the privatisation process of Banca Comerciala Romana as well as the offer price proposed by the Management Board.

At the meeting of 14 September 2005, we were informed as to changes related to the Company Law Amendment Act (GesRÄG).

The final regular meeting of the year took place on 14 December 2005. The Management Board provided detailed information on the status of the privatisation process of Banca Comerciala Romana (BCR). At this meeting, the budget planning for the period 2006 to 2008 was discussed and overall investment plans were approved.

Corporate Governance

Since February 2003, the Supervisory Board of Erste Bank has been expressly committed to compliance with the Austrian Code of Corporate Governance and thereby to the company's responsible management and control based on the creation of long-term value.

A comprehensive presentation of the Erste Bank's corporate governance is published in this annual report and is available on the Erste Bank web site.

Supervisory Board Committees

The Supervisory Board has created four committees. Their composition is available on the Erste Bank web site.

The Management Board Committee handles relations between the company and members of the Management Board. In 2005 the Management Board Committee met once.

The Audit Committee, formerly Financial Audit Committee, was entrusted with new areas of responsibility as from 1 January 2006. It reviews and prepares the approval of the financial statements, the proposed appropriation of net profit, the Company Management Report, the consolidated financial statements and the Group Management Report. The committee also makes a recommendation regarding the selection of an independent auditor. In 2005 the Audit Committee met once.

The Risk Management Committee examines the risk situation and risk management of Erste Bank Group, in particular with regard to market, credit and operating risk. The committee is responsible approving investments and major investments within the scope of authorisation delegated by the Supervisory Board. In 2005 the Risk Management Committee met 23 times.

The Strategy Committee is involved in the company's strategic planning and is responsible for reviewing the budget, taking note of business performance reports, setting the investment policy and determining the company's strategic interests. The committee also monitors the company's participating interests. In 2005 the Strategy Committee met four times.

Financial statements

The company financial statements and Management Report as well as the Consolidated Financial Statements and Group Management Report for 2005 were audited by the Sparkassen Prüfungsverband as the legally mandated auditor and by Deloitte Wirtschaftsprüfungs GmbH as the supplementary auditor appointed by the Annual General Meeting, and received an unqualified opinion.

Representatives from both auditors participated in the Supervisory Board's balance sheet meeting and provided supporting information. We are in agreement with the results of these audits and the proposed appropriation of net profit.

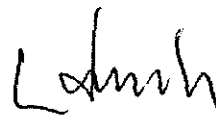
We approved the company financial statements prepared by the Managing Board, which are now duly established in accordance with § 125 para. 2 of the Austrian Stock Corporation Act. We also approved the consolidated financial statements and Group Management Report.

Members

Klaus Braunnegg, a member of the Supervisory Board since 1993, resigned from the Board as from 11 May 2005, the date of the 12th ordinary Annual General Meeting. The 12th ordinary Annual General Meeting appointed Wilhelm Rasinger as a representative for individual shareholders and new member of the Supervisory Board. The appointments of Elisabeth Gürtler (the second representative for individual shareholders), Theresa Jordis, Hubert Singer and Georg Winckler to the Supervisory Board were reconfirmed.

The Supervisory Board would like to thank the Management Board as well as the employees of Erste Bank for their major personal contributions last year.

For the Supervisory Board



Heinz Kessler
President of the Supervisory Board

Vienna, March 2006

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Supervisory Board

HEINZ KESSLER

**President of the Supervisory Board
Retired CEO**

Additional supervisory board memberships:
Deputy Chairman Austria Versicherungsverein auf Gegenseitigkeit
Privatstiftung
Member DIE ERSTE österreichische Spar-Casse Privatstiftung
Deputy Chairman Duropack Aktiengesellschaft
Chairman Nettingsdorfer Papierfabrik Management AG
Member Rath Aktiengesellschaft
Chairman Reform-Werke Bauer & Co Gesellschaft m.b.H.
Chairman Reform-Werke Bauer & Co Holding Aktiengesellschaft
Deputy Chairman UNIQA Versicherungen AG
Functions in companies of the savings banks sector

KLAUS BRAUNEGG

**First Vice President until 11 May 2005
Attorney at law**

GEORG WINCKLER

**First Vice President since 11 May 2005
Rector of the University of Vienna
Professor of Economics at the University of Vienna**

Additional supervisory board memberships:
Member Austria Versicherungsverein auf Gegenseitigkeit Privatstiftung
Deputy Chairman INITS Universitäres Gründerservice Wien GmbH
Member Innovationszentrum Universität Wien GmbH
Member UNIQA Versicherungen AG
Functions in companies of the savings banks sector

THERESA JORDIS

**Second Vice President
Attorney at law**

Additional supervisory board memberships:
Member Generali Holding Vienna AG
Chairwoman Miba Aktiengesellschaft
Chairwoman Mitterbauer Beteiligungs-Aktiengesellschaft
Chairwoman Walford Aktiengesellschaft

BETTINA BREITENEDER

Businesswoman

Additional supervisory board memberships:
Deputy Chairwoman Drina Neretva Kräftwerke Aktiengesellschaft
Member ZS Einkaufszentren Errichtungs- und Vermietungs-
Aktiengesellschaft

ELISABETH GÜRTLER

Businesswoman

**Member of the Management Board of the Austrian Hotel
Association**

JAN HOMAN

Chief Executive Officer of Teich AG

Additional supervisory board memberships:
Member Allianz Elementar Versicherungs-Aktiengesellschaft

WERNER HUTSCHINSKI

Retired General Manager

Additional supervisory board memberships:
Deputy Chairman VAV Versicherungs-Aktiengesellschaft
Functions in companies of the savings banks sector

JOSEF KASSLER

Retired CEO

Additional supervisory board memberships:
Member Donau Allgemeine Versicherungs-Aktiengesellschaft
Member „Messe Center Graz“ Betriebsgesellschaft m.b.H.
Member ÖWGES Gemeinnützige Wohnbaugesellschaft m.b.H.
Functions in companies of the savings banks sector

LARS-OLOF ÖDLUND

Senior Advisor

Additional supervisory board memberships:

Chairman Entreprenad Maskin Specialisten i Sthlm AB

Chairman Litorina Capital Management AB

Chairman Baltic Rim Fund

Chairman Eurofema AB

WILHELM RASINGER FROM 11 MAY 2005

Businessman

Additional supervisory board memberships:

Member BÖHLER-UDDEHOLM Aktiengesellschaft

Member Steirerobst Aktiengesellschaft

FRIEDRICH RÖDLER

Public Accountant and Tax Consultant

HUBERT SINGER

Chief Executive Officer of Dornbirner Sparkassen AG

Additional supervisory board memberships:

Deputy Chairman Dornbirner Seilbahn Gesellschaft m.b.H.

Functions in companies of the savings banks sector

**Representatives of
the Staff Council:**

GÜNTER BENISCHEK

Chairman of the Central Staff Council

Additional supervisory board memberships:

Member Die ERSTE österreichische Spar-Casse Privatstiftung

ERIKA HEGMALA

Vice Chairwoman of the Central Staff Council

Additional supervisory board memberships:

Member BVP-Pensionskasse

ILSE FETIK

Member of the Central Staff Council

JOACHIM HÄRTEL

Member of the Central Staff Council

CHRISTIAN HAVELKA

Member of the Central Staff Council

ANTON JANKU

Member of the Central Staff Council

The Share

The Erste Bank share rose to new highs last year, building on the positive trend of previous years. These gains were driven mainly by the Erste Bank's double-digit earnings growth and a new milestone in its expansion strategy, the acquisition of a majority interest in Romania-based Banca Comerciala Romana. Thus the Group further strengthened its excellent positioning in the central and eastern European growth markets.

PERFORMANCE OF EQUITY INDICES

Stock markets driven by oil prices and interest rates

With the exception of the US Dow Jones Industrial Index, all the major international stock markets posted gains for the third consecutive year. The European stock exchanges and Tokyo Stock Exchange posted record gains. The Nikkei 225 Index in Tokyo and some of the European benchmark indices reached new highs since 2000, while US stock exchanges turned in disappointing performances.

At 31 December 2005, the US Dow Jones Industrial Average was down 0.6% relative to the previous year. The other two US benchmark indices, the Nasdaq and the Standard & Poors 500, gained a very modest 1.4% and 3.0%, respectively. In comparison, the FTSE Eurotop 300 Index advanced 22.4% in 2005.

In 2005, equity market trends were driven by rising oil prices and their impact on economic growth, inflation and interest rates. The contrast between the negative impact of higher oil prices, which peaked in the third quarter, and economic and corporate earnings growth produced sharp volatility. Inflationary jitters related to the higher oil prices and their impact on US economic growth and corporate earnings were accompanied by US monetary tightening, as the Federal Reserve raised its benchmark rate eight times from 2.25% to 4.25%. Against this backdrop, US equity markets trended downwards in the third quarter of 2005 even as European equity markets posted double-digit gains. In the fourth quarter, the markets rebounded on corporate earnings largely exceeding expectations, favourable economic data, declining crude oil prices and signals from the Federal Reserve that an end to the interest rate

hikes might be possible. In early December, the first interest rate increase by the European Central Bank in five years – a 25 basis point hike in the benchmark rate to 2.25% – had no impact on European equity market trends.

Banking sector profits from earnings growth and mergers

After a 10.9% increase in 2004, the DJ Euro Stoxx Bank Index rose at an even faster rate last year, gaining 26.5% to 364.79 points. The negative short-term impact of US monetary policy tightening was more than offset by other factors. In the European banking sector, stock prices rose on the strength of reported earnings that exceeded expectations in the first three quarters of 2005 and, more importantly, robust merger activity and take-over offers in the second half of the year. None was bigger than UniCredit's acquisition of HVB and its related offer to the shareholders of Bank Austria and BPH.

ATX climbs to record highs.

With a 50.8% gain to 3,667.03 points, the Austrian Traded Index (ATX) not only reached an all-time high in 2005 but also turned in one of the strongest performances of any stock market index world-wide. Among the key factors driving the above-average gains on the Vienna Stock Exchange were the higher earnings of listed companies with successful positions in the central and east European growth markets. Also contributing were the robust share price increases of electricity distributors and commodities firms, which benefited from higher oil and other commodity prices.

ERSTE BANK SHARE PERFORMANCE

New all-time high before capital increase

The Erste Bank share continued to post gains, rising by 19.7% to EUR 47.05. The bulk of these gains were achieved in the second half. A major factor was Erste Bank's continued earnings growth, which reflected the company's strong positioning in the central European growth markets and the successful restructuring of its domestic business.

The announcement of the acquisition of a 62% equity interest in Banca Comerciala Romana one week before the end of the year led to a further increase in the share price. Analysts and investors viewed the acquisition of Romania's largest bank and the related capital increase favourably. As a result, the Erste Bank share reached a new all-time high of EUR 47.50 on the penultimate trading day of 2005. The subsequent capital increase in January 2006 was the largest ever on the Vienna Stock Exchange: 64.8 million shares valued at EUR 2.9 billion were successfully placed with institutional and individual investors. The offering price was set at EUR 45.00 per share.

Trading volume and market capitalisation

In 2005, the average daily trading volume of Erste Bank shares was approximately 428,800, a more than 26% increase from the previous year. The daily trading volume on the Prague Stock Exchange (PSE), where the Erste Bank shares have been listed since October 2002, increased by 25% to reach approximately 152,600 shares. In early January 2006, Erste Bank's market capitalisation increased on the strength of the rising share price to a new record of EUR 11.67 billion, up from EUR 9.49 billion at 31 December 2004.

Overview of share price trends¹⁾

in %	Since IPO Dec. 1997 ²⁾	Since SPO Sept. 2000 ³⁾	Since SPO July 2002 ³⁾	2005
Erste Bank Share	324.5	300.4	170.0	19.7
ATX	181.0	213.8	200.7	50.8
DJ Euro Stoxx Bank Index	— ⁴⁾	3.8	45.2	26.5

¹⁾ Based on closing prices year-end 2005

²⁾ Initial Public Offering

³⁾ Secondary Public Offering/Capital increase

⁴⁾ Comparison since IPO would not be meaningful as Erste Bank has been included in this index only since 16 January 1998.

DIVIDEND POLICY

Erste Bank is a rapidly growing company and has successfully completed several acquisitions in Central and Eastern Europe. In order to ensure an adequate basis for further expansion in this region, Erste Bank's Management Board has chosen not

to set a fixed pay-out ratio, but instead to increase the dividend by at least 10% annually, provided that the company meets its targets. In this fashion, the company can ensure that its Tier 1 capital ratio remains between 6.5% and 7%. Should the Tier 1 capital ratio exceed 7%, the dividend may be adjusted such that the pay-out increase significantly exceeds 10% compared to the previous year.

Proposed net profit distribution

A dividend of EUR 0.55 per share will be proposed to the Annual General Meeting on 19 May 2006. The recent 10% dividend increase relative to the previous year reflects the Erste Bank's successful performance, as net profit rose by 36.6%. The pay-out ratio is 18.8%.

INVESTOR RELATIONS

Erste Bank's management participated in numerous investor meetings last year. They attended more than 10 bank conferences, at the invitation of leading international investment firms (UBS, Goldman Sachs, Morgan Stanley, ING, Deutsche Bank, Merrill Lynch, Société Générale, HSBC etc.). In addition, Erste Bank Group presented its strategy and equity story to international investors through road shows in London, Warsaw, Milan and New York and met with investors individually. These road shows were organised jointly by the Vienna Stock Exchange, Erste Bank and other European banks.

On 16 September 2005, Erste Bank held its third international capital markets day in Prague. At this event, the management of Erste Bank and its central European subsidiaries gave the more than 40 institutional investors and analysts in attendance a comprehensive overview of business developments and opportunities in the group's central and east European markets. Management also provided updates on the progress and continued implementation of the New Group Architecture programme to enhance productivity. The webcast of this event also generated significant interest.

For the sixth consecutive year, Erste Bank hosted an internet chat with CEO Andreas Treichl on 18 April 2005. This opportunity to communicate directly with the Erste Bank Group's

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management board was welcomed by retail investors and interested parties, who participated in record numbers. In the chat session lasting more than two hours, 200 questions were submitted regarding the Erste Bank Group's current developments. The forum drew participants from all the Group's home market countries and Romania.

The growing interest in the Erste Bank share was reflected last year by the new coverage initiated by leading brokerage firms, including Bear Stearns, Goldman Sachs, Redburn Partners and Cazenove. In all, 21 firms published research reports on Erste Bank in 2005.

Research reports on the Erste Bank share

_Bear Stearns
 _Bank Austria Creditanstalt
 _Cazenove
 _Citigroup
 _CSFB
 _Deutsche Bank
 _Dresdner Kleinwort Wasserstein
 _Fox-Pitt, Kelton
 _Goldman Sachs
 _ING
 _JP Morgan
 _KBC Securities
 _KBW Keefe, Bruyette & Woods
 _Merrill Lynch
 _Morgan Stanley
 _Raiffeisen Centrobank
 _Redburn
 _Sal. Oppenheim
 _Société Générale
 _UBS
 _WestLB

Performance of the Erste Bank Share in EUR

